

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
ICA-11 AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 AGRE-00 STR-07 /113 W
-----032515 190712Z /11

R 181218Z MAY 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 6261
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USMISSION GENEVA

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USEEC

USOECN ALSO FOR EMBASSY

USMTN ALSO FOR MISSION

E.O. 11652: GDS
TAGS: ETRD, EIND, UK
SUBJECT: PRIME MINISTER GETS SERIOUS ABOUT "BUY BRITISH"
CAMPAIGN

1. "BUY BRITISH" CAMPAIGNS ARE NOT NEW TO THE UK. THEY
HAVE COME WITH SOME REGULARITY IN RECENT YEARS, USUALLY
TRIGGERED BY A GOVERNMENT DESIRE TO REDUCE THE HIGH
BRITISH PROPENSITY TO IMPORT DURING TIMES OF ECONOMIC
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EXPANSION. THE EFFECTS OF PAST EFFORTS ARE DIFFICULT TO
SEPARATE FROM OTHER FACTORS, BUT THERE IS NO EVIDENCE
THAT THIS "JAWBONING" APPROACH HAS HAD ANY MEASURABLE
EFFECTS.

2. A NEW AND POTENTIALLY MORE SERIOUS CAMPAIGN HAS BEGUN
RECENTLY WHICH BEARS WATCHING FOR POSSIBLE NEGATIVE

EFFECTS ON TRADITIONAL SUPPLIERS, SUCH AS THE US. PRIME MINISTER CALLAGHAN HAS PERSONALLY INITIATED AND IS OVERSEEING THIS NEW CAMPAIGN WHICH IS DIFFERENT FROM PAST UNDERTAKINGS IN THAT IT (A) HAS BEEN INSTITUTIONALIZED BY THE SETTING UP OF A SPECIAL CABINET COMMITTEE OF SENIOR MINISTERS TO CLOSELY COORDINATE BUY BRITISH POLICIES WITH THE NATIONAL ECONOMIC DEVELOPMENT OFFICE AND (B) IS AIMED ESSENTIALLY AT PRODUCERS AND BUYERS OF INDUSTRIAL GOODS RATHER THAN CONSUMER GOODS.

3. THE SPECIAL CABINET COMMITTEE SET UP SEVERAL WEEKS AGO INCLUDES TRADE SECRETARY DELL, INDUSTRY SECRETARY VARLEY AND CHANCELLOR HEALEY. ITS FUNCTION IS APPARENTLY TO PROVIDE THE NECESSARY HIGH-LEVEL POLITICAL IMPETUS TO DEVELOP A SUCCESSFUL CAMPAIGN THIS TIME. PART OF THE GROUP'S EFFORTS WILL BE FED INTO THE NEDO MECHANISM FOR MELDING INTO THE LONG-TERM INDUSTRIAL STRATEGY.

4. CALLAGHAN'S INITIATIVE IS INTENDED TO BE LOW-KEY AND FOCUSED ON INDUSTRIAL BUYERS AND PRODUCERS WHO ARE LIKELY TO BE MORE SENSITIVE TO GOVERNMENT WISHES THAN CONSUMERS WHO HAVE BEEN THE PRIME TARGET IN THE PAST. GIVEN THE CLOSE INDUSTRY-GOVERNMENT RELATIONSHIP IN THE UK, BUSINESSMEN CAN BE EXPECTED TO GIVE THE GOVERNMENT A CAREFUL LISTENING.

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5. THE PRIME MINISTER'S MOST RECENT BUY BRITISH URGINGS CAME IN A MAY 16 SPEECH TO THE CONFEDERATION OF BRITISH INDUSTRY IN WHICH HE ASKED EVERY MANAGING DIRECTOR TO REVIEW HIS COMPANY'S PURCHASING POLICIES TO INSURE THAT A MAXIMUM OF BRITISH GOODS ARE BOUGHT. HE STRESSED THAT HE WAS NOT CALLING FOR THE "OLD FASHIONED TYPE OF BUY BRITISH CAMPAIGN" BUT HE THEN WENT ON TO SAY: "IS IT IN THE LONG-TERM INTERESTS OF BRITISH INDUSTRIAL PURCHASERS TO GIVE SO MUCH OF THEIR CUSTOM TO FOREIGN SUPPLIERS? I AM CERTAIN IT IS NOT. WE ARE GIVING PROFITS AND JOBS TO OUR OVERSEAS SUPPLIERS AND IN THE LONGER RUN IT WILL RESULT IN RUNNING DOWN OUR INDUSTRIAL BASE."

6. IN HIS APPEAL TO CURB IMPORTS OF FOREIGN MANUFACTURING MACHINERY, HE IMPLIED THAT COMPANIES SHOULD CONSIDER OVERLOOKING SOME COMMERCIAL CONSIDERATIONS SUCH AS HIGHER PRICES, LONG LEAD TIMES AND COMPONENT NON-AVAILABILITY IN ORDER TO KEEP THE BUSINESS IN BRITAIN. HE SAID THE BRITISH PROPENSITY FOR IMPORTING HAD NOW REACHED A STAGE WHERE "ROUGHLY ONE POUND IN EVERY FOUR POUNDS SPENT IN THIS COUNTRY ON MANUFACTURED GOODS IS

BOUGHT FROM ABROAD."

7. IN DISCUSSING THE CAMPAIGN WITH AN ECONOMIST IN THE

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PRIME MINISTER'S OFFICE, HE CHARACTERIZED THE PROGRAM AS LARGELY ONE OF OVERCOMING THE COMMUNICATION GAP BETWEEN BRITISH BUYERS AND BRITISH PRODUCERS OF INDUSTRIAL EQUIPMENT. HE SAID A SIGNIFICANT PART OF THE EFFORT WOULD BE TO USE THE NEDO STRUCTURE TO GET DOMESTIC COMPANIES TO CONTACT POTENTIAL SUPPLIERS IN THE UK TO EXPLAIN IN ADVANCE WHAT THEIR REQUIREMENTS WERE SO THAT FIRMS COULD ADAPT THEIR PROCESSES AND MACHINERY TO DEAL WITH THE ORDERS. HE SAID THERE WAS NO INTENT TO "LEAN ON" UK BUSINESSMEN TO BUY BRITISH.

8. REACTIONS TO THE PROGRAM HAVE BEEN RELATIVELY PREDICTABLE THUS FAR. THERE HAS BEEN GENERAL AGREEMENT THAT

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RISE IN IMPORT PENETRATION IS A SERIOUS PROBLEM, HOWEVER, INDUSTRIALISTS HAVE BEEN SKEPTICAL ABOUT THE PRACTICALITY AND VALUE OF A GOVERNMENT BUY BRITISH CAMPAIGN. CBI HAS COME OUT IN FAVOR OF BUILDING CLOSER LINKS BETWEEN MANUFACTURERS AND RETAILERS, BUT THE CONFEDERATION PREFERS TO DO IT ITSELF WITHOUT GOVERNMENT INVOLVEMENT.

9. THE TRADE UNIONS HEARD FROM TO DATE HAVE EITHER TAKEN A HARD LINE BUY BRITISH POLICY IN SUPPORT OF THE GOVERNMENT OR HAVE TENDED TO DISCOUNT THE CAMPAIGN AS JUST A SUBSTITUTE FOR OTHER ACTIONS, SUCH AS IMPORT CONTROLS, WHICH THEY WOULD PREFER TO SEE THE GOVERNMENT DOING.

10. IT IS OBVIOUSLY TOO EARLY TO ACCURATELY PREDICT WHETHER THE GOVERNMENT'S EFFORTS WILL GATHER SUFFICIENT MOMENTUM TO CONSTITUTE A PROBLEM FOR TRADITIONAL EXPORTERS TO THE UK MARKET. HOWEVER, THE SITUATION BEARS WATCHING, PARTICULARLY AT THE PRESENT TIME OF HEIGHTENED CONCERN ABOUT PROTECTIONISM AND RETALIATION. HOW THE BUY BRITISH PROGRAM AND OTHER DOMESTIC DEVELOPMENTS FIT INTO THE WIDER FRAMEWORK OF EVOLVING BRITISH VIEWS ON PROTECTIONISM WILL BE THE SUBJECT OF ANOTHER MESSAGE.

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